



United States
Department of
Agriculture

Consolidated
Farm Service
Agency

P.O. Box 2415
Washington, D.C.
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FmHA AN No. 3198 (1941-A)
August 31, 1995

TO: Acting State Directors, District Directors, and
County Supervisors
Rural Economic and Community Development

ATTN: Farmer Programs Chiefs

FROM: Lou Anne Kling *Lou Anne Kling 8-31-95*
Acting Deputy Administrator for
Farm Credit Programs

SUBJECT: Use of Farmer Programs Loan Funds for the
Purchase or Production of Exotic Birds;
Direct and Guaranteed Loans Made for Farm
Ownership (FO), Operating (OL), Soil and
Water (SW) and Emergency Loan (EM) Purposes

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify the Agency's policy on exotic birds and how it relates to the definition of non-farm enterprises. In addition, this AN will provide a definition of exotic birds as developed by the Agency as well as guidance to the State and County offices regarding the use of Farmer Programs loan funds and guarantees for non-farm enterprise purposes.

COMPARISON WITH OTHER AN:

This AN revises and replaces AN No. 3030 (1941-A) dated June 24, 1994.

DEFINITIONS:

Non-farm Enterprise. Any non-farm business enterprise, including recreation, which is closely associated with the farm operation and located on or adjacent to the farm and provides income to supplement farm income. The business must provide goods or services for which there is a need and a reasonable reliable market. This may include **but is not limited to** such enterprises as raising earthworms, exotic birds, tropical fish, dogs and horses for nonfarm purposes; welding shops; roadside stands; boarding horses; and riding stables.

EXPIRATION DATE: August 31, 1996

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1941-A

Exotic Bird. Any species of bird that is not native to the United States or was originally introduced to the United States from a foreign country. This includes but is not limited to tropical birds such as canaries, parakeets, macaws, and those birds included in the ratite family such as ostrich, emu, rhea, kiwi, and cassowary.

IMPLEMENTATION RESPONSIBILITIES:

All personnel must thoroughly review and familiarize themselves with the instructions for loans which are made for non-farm enterprise purposes and the provisions of this AN.

The definition of non-farm enterprise as set forth in the loan making instructions prohibits the Agency from making or guaranteeing loans for the purpose of establishing or operating a business, for example; that is or will be **primarily** or **solely** engaged in the purchase or production of exotic birds.

In addition, FmHA Instruction 1945-D, section 1945.166(a)(1), prohibits the use of EM loan funds for the financing of non-farm enterprises, unless the loan is made to an individual applicant and such enterprise is needed to support a reasonable standard of living for the family.

Instructions do, however, allow the Agency to make or guarantee loans for individuals, partnerships, cooperatives and corporations for non-farm enterprise purposes, including the purchase or production of exotic birds, if the following conditions are met:

1. The applicant is **primarily** engaged in the production and sale of agricultural commodities (the generally accepted definition being those which are recognized by the general population as standard farm commodities, such as corn, wheat, beans, cattle, hogs, fruits, and vegetables) which are produced in sufficient quantities so that the farm is recognized in the community as a family-size farm, rather than a rural residence.
2. The income being produced from the production or sale of exotic birds will supplement the farm income, i.e., the non-farm enterprise portion of the operation is not producing the major portion of the farm income, but instead is producing additional income **needed** to make up a deficiency in farm operating or family living expenses.

3. The applicant can clearly demonstrate that they will be producing goods or products for which there is a **need** and a **reasonable** and **reliable** market. The production of ostrich, emu, rhea, kiwi, cassowary, etc., is based on the sale of meat, feathers, oil, and other animal by-products. Such animal by-products must also have a reasonable and reliable market. **Non-farm enterprise loans cannot be made to operations whose sole purpose is the breeding of exotic birds and the sale of eggs or breeding stock.**
4. For operations involving the production of canaries, parakeets, macaws, etc., the applicant must show there is a reasonable and reliable market for their sales as household pets.
5. Applicants must provide evidence that they have contracted for the sale of products, or that there is a readily available broker or stockyard that will allow for delivery of their product on an on-going basis. Documentation and revisions to the Farm and Home Plan or farm budget will be done in accordance with FmHA Instruction 1924-B, section 1924.57(d).
6. The applicant meets all loan eligibility requirements with emphasis on whether the applicant has sufficient applicable education or on-the-job training or farming experience in managing and operating a farm operation, which would indicate reasonable prospects of success in the production of exotic birds. Applicants must demonstrate that they have obtained some degree of formal education in the production of, or have had on-the-job training or experience in raising exotic birds. Formal education is considered to be successful completion of training or classes organized by local universities, or the Cooperative Extension Service and includes both management and productions phases of the operation.
7. The proposed enterprise must be closely associated with the farm operation and located on or adjacent to the farm.

SUMMARY:

Regulations prohibit the Agency from making or guaranteeing loans which would be used to establish or operate a business which is primarily or solely engaged in the purchase or production of exotic birds or other non-farm enterprises. **Non-farm enterprise loans cannot be made for breeding purposes only.**

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Any application for non-farm purposes, including those for the purchase or production of exotic birds, must include verification that the income being produced is needed to and will supplement other farm income, there is a reasonable and reliable market for the product, the applicant meets the education, training or on-the-job training requirements and the enterprise will be closely associated with and/or adjacent to the farm.

This AN may not be revised and reissued by Acting State Directors without prior approval by the Acting Deputy Administrator for Farm Credit Programs.

If you have any further questions, please contact Chuck Ropp, Senior Loan Officer in the Loan Making Division at (202) 690-4017.